



HARBOR ISLAND UTILITIES, INC.

2007-2434/S

250752

Post Office Box 1028
Beaufort, S.C. 29901-1028

(843) 982-0405 fax: 982-0707

May 22, 2014

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RECEIVED

MAY 27 2014

**PSC SC
MAIL/DMS**

Re: Harbor Island Utilities, Inc.

Dear Ms. Boyd:

When the Public Service Commission of South Carolina approved our current rates in December 2007, it included a provision that allows us to pass through rate increases we incur. We purchase our water from the Beaufort-Jasper Water & Sewer Authority (BJWSA), and we recently received a notice from BJWSA stating that our water cost will increase by \$0.22 (22¢) per thousand gallons effective July 1, 2014. Please see the enclosed copy of the May 2, 2014 letter from BJWSA.

Harbor Island Utilities, Inc. (HIU) hereby requests approval from the PSC to implement the slight rate increase. For the household that uses 300 gallons of water per day, the increase would be approximately \$1.98 per month.

HIU plans to notify customers with the next billing of the pending increase. A draft copy of that notice also is enclosed.

Please let me know if you need any additional information.

Sincerely,

Robert G. Gross
President

Enclosures

Copy of Letter from BJWSA dated May 2, 2014
Draft Letter to HIU Customers

Copy:

The Honorable C. Dukes Scott, Office of Regulatory Staff (with enclosures)



6 SNAKE ROAD, OKATIE, SC 29909-3937
Phone 843.987.9292 Fax 843.987.9293
Customer Service 843.987.9200
Operations & Maintenance 843.987.9220
Engineering 843.987.9250
www.bjwsa.org

"Inspire trust and enhance public health"

ED SAXON, PE, GENERAL MANAGER
843.987.9249 (o) | 843.263.1924 (c)

May 2, 2014

Harbor Island Utilities, Inc.
Mr. Robert G. Gross, President
P.O. Box 1028
Beaufort, SC 29901-1028

Re: Wholesale Water Rate Increase

Dear Mr. Gross,

Please accept this letter as notification that your Wholesale Water Rate will be increasing effective July 1, 2014. After updating our cost of service rate model, the new rate per 1,000 gallons will be \$2.60. We anticipate our Board will adopt this rate at the June 26, 2014 meeting.

Since rates were set in 2011, BJWSA has experienced a decrease in demand primarily due to higher than average rainfall. Total system demand for FY2014 is projected to be 9.5% lower than FY2012 and forecasted FY2015 demand is 7.5% lower than FY2012 which is the most significant factor in the rate increase. Operating expenditures for FY2015 are forecasted to come in 4.7% higher than FY2012 and capital revenue requirements have also increased. Our cost of service projections reflect conservative revenue growth coupled with increases in operating costs such as power, fuel and chemicals.

In year's past, we have set rates with the expectation that the rate would be good for 3 years. We are in the latter stages of building a new Cost of Service (CoS) model and that model will be ready in early fall. For this reason, we are setting the FY2015 rate as a 1 year rate and we will be performing another full CoS update in the fall utilizing the new model.

I am attaching the key schedules from our cost of service model that show the costs and calculations that support the wholesale rates. The current model update resulted in only minimal allocation changes as a result of anticipated growth and shifts in the customer classes. There have been no methodology changes in the model.

You are a valued wholesale customer and I would be happy to meet with you or your staff to review the cost of service methodology, the schedules attached and your rate. If you have any questions or concerns, please feel free to contact me at 843-987-9290.

Sincerely,

Dottie Hofmann
Chief Financial Officer

DAVID S. LOTT
CHAIR

DONNA L. ALTMAN
VICE CHAIR

JAMES N. SCOTT
SECRETARY/TREASURER

JAMES E. BAKER
JACK E. BURKE
DR. WILLIAM SINGLETON

MICHAEL L. BELL
BRANDY M. GRAY
W. R. "SKEET" VON HARTEN

LORRAINE W. BOND
DONALD A. MANSON

**HARBOR ISLAND UTILITIES, INC.
P.O. BOX 1028
BEAUFORT, SC 29901-1028**

June 10, 2014

Dear Harbor Island Utilities Customer:

When the Public Service Commission of South Carolina approved our current rates in December 2007, they included a provision that allows us to pass through rate increases we incur.

We purchase our water from the Beaufort-Jasper Water & Sewer Authority (BJWSA), and we recently received a notice from BJWSA stating that our water cost will increase by \$0.22 (22¢) per thousand gallons effective July 1, 2014.

Accordingly, we are notifying you that your water rates will increase from \$4.40 per thousand gallons to \$4.62 per thousand gallons. For the household that uses 300 gallons of water per day, the monthly increase would be approximately \$1.98.

We anticipate that these changes will become effective July 1, 2014 and that you will see it in the bill you receive in mid-August.

Please call with any questions (843) 982-0405.

Sincerely,

Robert G. Gross
President